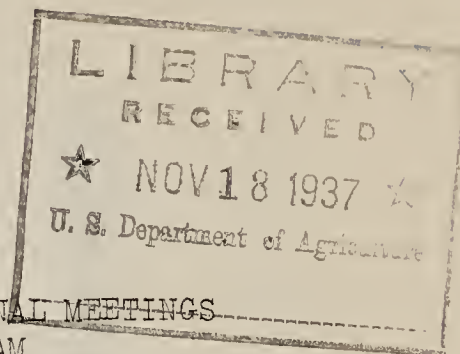


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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Northeast Region



DISCUSSION OUTLINE, WITH CHARTS, FOR USE AT EDUCATIONAL MEETINGS
ON THE 1938 AGRICULTURAL CONSERVATION PROGRAM

Goal of Agriculture

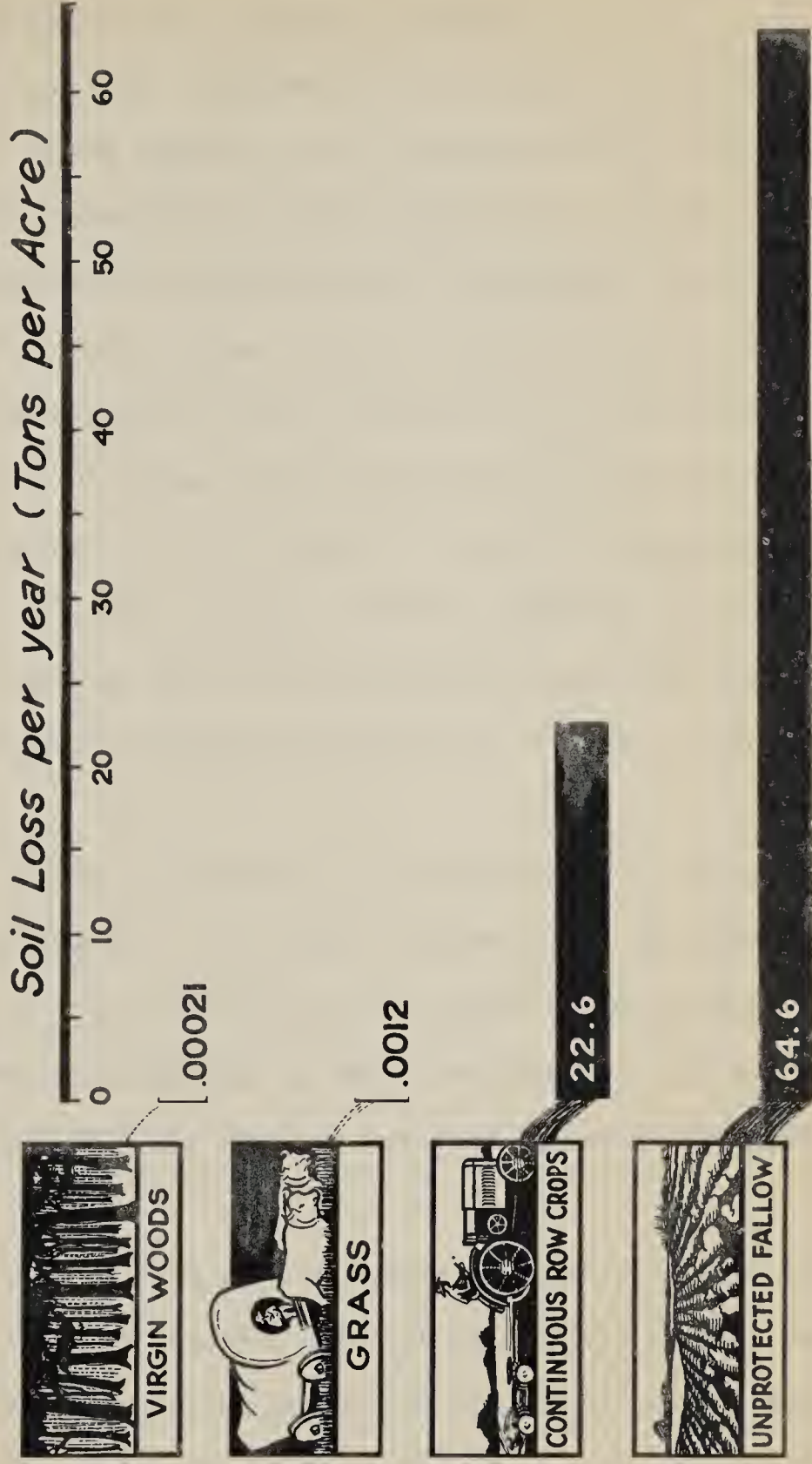
The justifiable function and purpose of Agriculture is to produce year after year, insofar as possible, a supply of farm products sufficient to meet the requirements of domestic and export markets at a fair price to the consumer and which will return an income to the farmer sufficient to provide a comparable standard of living for his family and at the same time enable him to maintain his farm as an efficient producing unit.

Objective of 1938 Agricultural Conservation Program

The 1938 Agricultural Conservation Program is designed to assist farmers in carrying on their farming operations in a manner that will enable them to restore and maintain the fertility of the soil and insure an ample supply of food, feed and fiber at prices fair to producer and consumer.

The 1938 Agricultural Conservation Program has been designed with full consideration of the economic status of agriculture, some phases of which are illustrated in the accompanying charts and discussions.

EXHAUSTIVE FARMING DESTROYS THE LAND



5-year experiment - Statesville, N. C.

CHART I.

Exhaustive Farming Destroys the Land

The experiment illustrated by this chart was performed at Statesville, North Carolina, on a restricted area of similar slope and physical characteristics and extended over a period of five years. Four plots of land were used in an attempt to determine the extent of erosion under different farming or operating methods.

At the beginning of the experiment all of the land was in virgin woods. The total area was divided into four plots. One of these was left as it was found--in timber. The second plot was cleared and sown to grass. The third plot was planted to row crops continuously for five successive years, and the last plot was ploughed each year and allowed to remain in unprotected fallow.

The extent of erosion on the land devoted to forest and to grass was negligible. The forest land eroded at the rate of only 21/100,000 of a ton per acre per year which could not have been noticed except through very accurate measurement. The grass land lost 12/10,000 of a ton per acre per year-- also an insignificant amount.

The plot of land planted yearly to successive soil-depleting row crops lost 22.6 tons per acre per year of the fertile top soil that is so valuable in the production of good crops with high yields.

The greatest loss, however, was found on the land left in unprotected fallow. This land eroded at the rate of almost 65 tons per acre per year, or 325 actual tons of top soil lost' on each acre for the five year period.

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This demonstration shows clearly the great value of proper soil-conserving practices, and the need for cover crops and other efficient ways of retaining the top soil. Erosion is a force that is always at work, and often a day-to-day inspection shows no noticeable change, yet in order to keep up the fertility of the land efforts to save the soil must be intelligent, continuous, and unremitting.

When pinched by low income the farmer is forced to overcrop his land, to keep every acre possible in cash crops which deplete the soil and subject it to erosion, in his effort to meet fixed charges which do not go down when the things he has to sell go down. He produces as much as he can in an effort to make up in volume what he lacks in price.

It is estimated that erosion has ruined a land area in the United States equal to the area of two of our large western States in the past 100 years.

In addition to erosion, continuous production of soil-depleting crops such as cotton and corn, year after year, has seriously damaged millions of acres. Erosion and over-cropping in some areas has so reduced the fertility of the soil that it is now impossible to maintain a decent standard of living on the land.

Periodic peak prices induce farmers to exploit the soil;
periodic low prices force farmers to mine their soil in an effort to maintain income.

GOOD FARM PRICES ATTRACT IMPORTS



CHART II

Good Farm Prices Attract Imports

Competitive farm imports are not necessarily undesirable, since it will be found that they tend to increase only when the income of American farmers is high, and at no time is their value more than a small fraction of the value of the income of the American farmers.

For the period 1925 to 1929, it will be noted that the value of farm imports was greatest, and also during that same period farm income was at its highest for the years shown. In 1932 when income was at its lowest, imports too were at their lowest, and as income increased up to 1936, the value of the shipments from other countries increased.

This is not an alarming situation. If the American farmer expects to have foreign markets for any of his products, he must look for the importation of some products into this country. It is apparent from the chart that the value of the imports is at no time more than a fraction of the farm income.

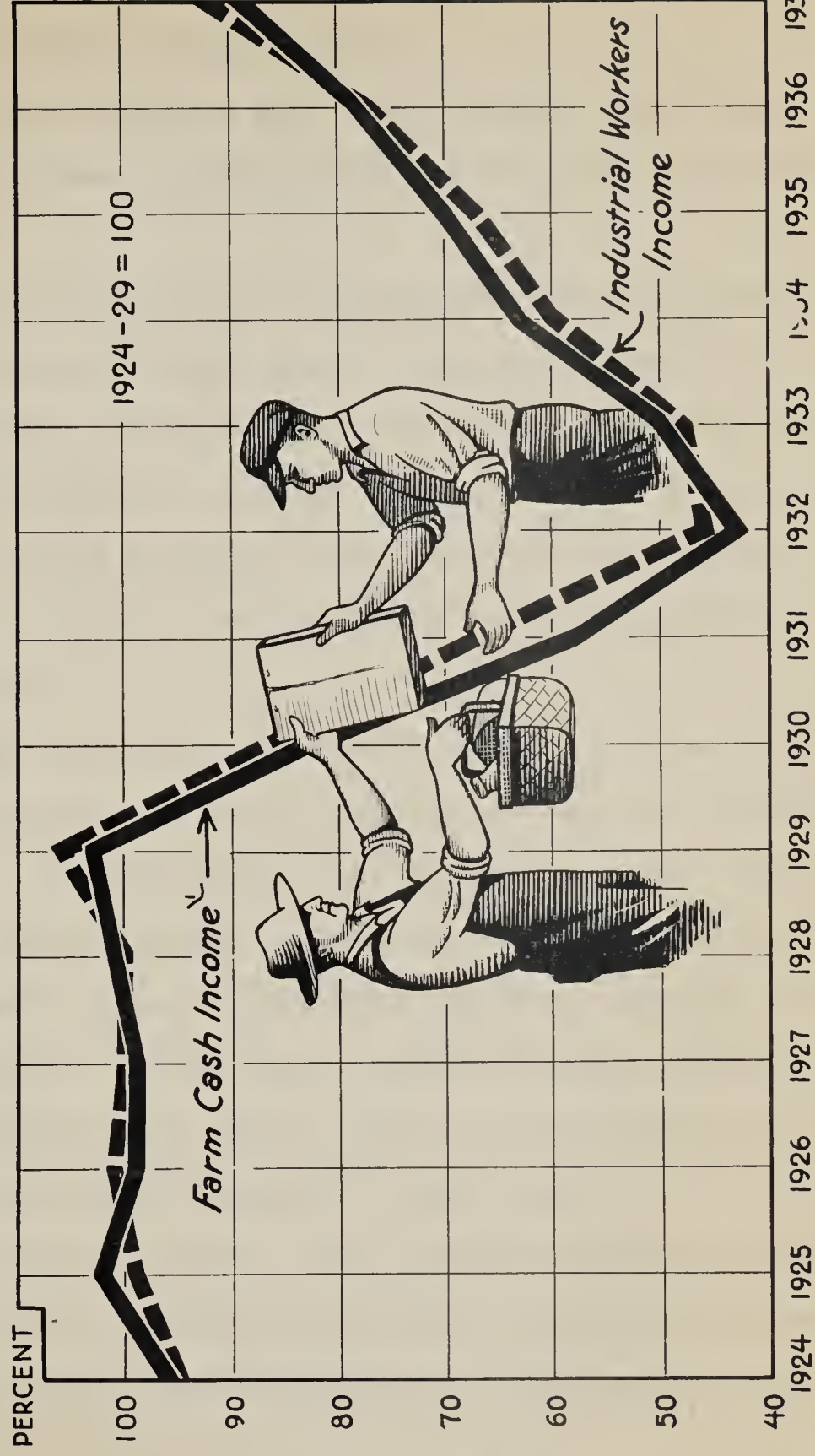
Imports of farm products occur only when United States prices are higher than the World price of such products.

Farm products have been imported in largest volume during years of comparatively large farm incomes in the United States.

Consumers' interests are protected by imports of agricultural products. Imports serve as a source of additional supply for consumers when prices of domestically grown products became disproportionately high.

THEY RISE AND FALL TOGETHER

Farm Cash Income & Income of Industrial workers



¹²Farm Income since 1932 includes benefit payments

¹²Preliminary Estimate

CHART III

They Rise and Fall Together

The accompanying chart shows the close relationship existing between cash farm income and the income of industrial workers.

A significant fact illustrated by this chart is that the reduction in industrial payrolls followed the reduction in farm income during the period 1929 - 1933 during which period both declined constantly. Likewise during the period of increasing farm income and industrial income since 1933, increasing industrial income has been preceded by a constantly increasing farm income.

Low farm income is directly reflected in a loss of farm purchasing power and a restriction of the market for industrial products. A restricted market for industrial goods means a reduction in the income of industrial workers resulting from the employment of a smaller number of workers or employment of the same number at smaller wages. Unemployed industrial workers in turn contribute to a reduced market for farm products and consequently a further reduction in farm income.

Farmers, therefore, and industrial workers may logically be concerned in maintaining sufficient national economic balance to insure against serious impairment of the income of either group.

BETTER BALANCE NEEDED

Farm & non-farm income available for living per person

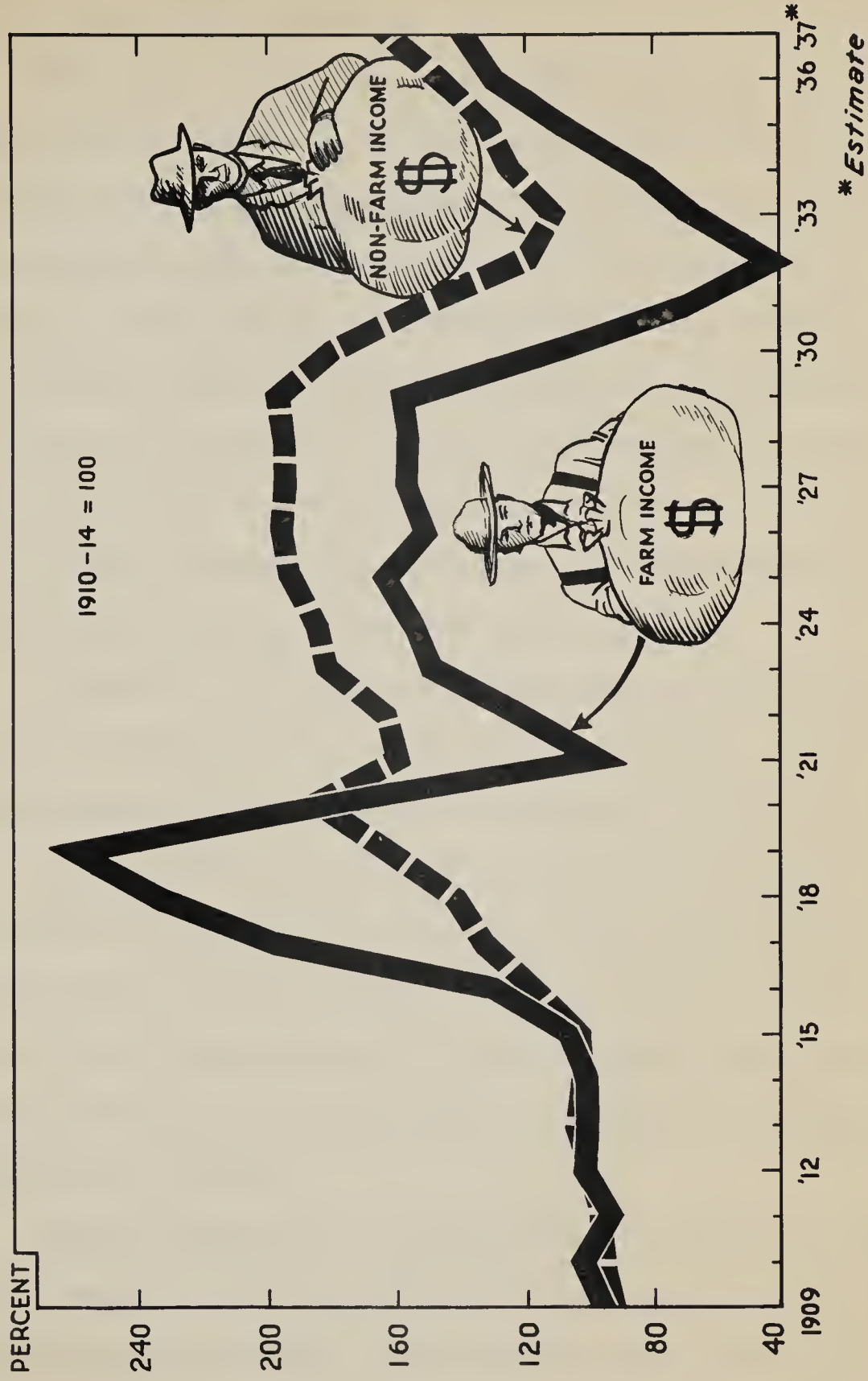


CHART IV

Better Balance Needed

This chart shows a comparison of farm income and non-farm income available per person for living; each income expressed as a percentage of its 1910-14 average. Farm income available for living expenses represents what farmers have available (after deducting production costs) for the purchase of food, clothing, rent, household goods, transportation, education, miscellaneous living costs, and savings. Likewise, non-farm income available for living represents what non-farmers have available for the purchase of food, clothing, rent, household goods, transportation, education, miscellaneous living costs, and savings.

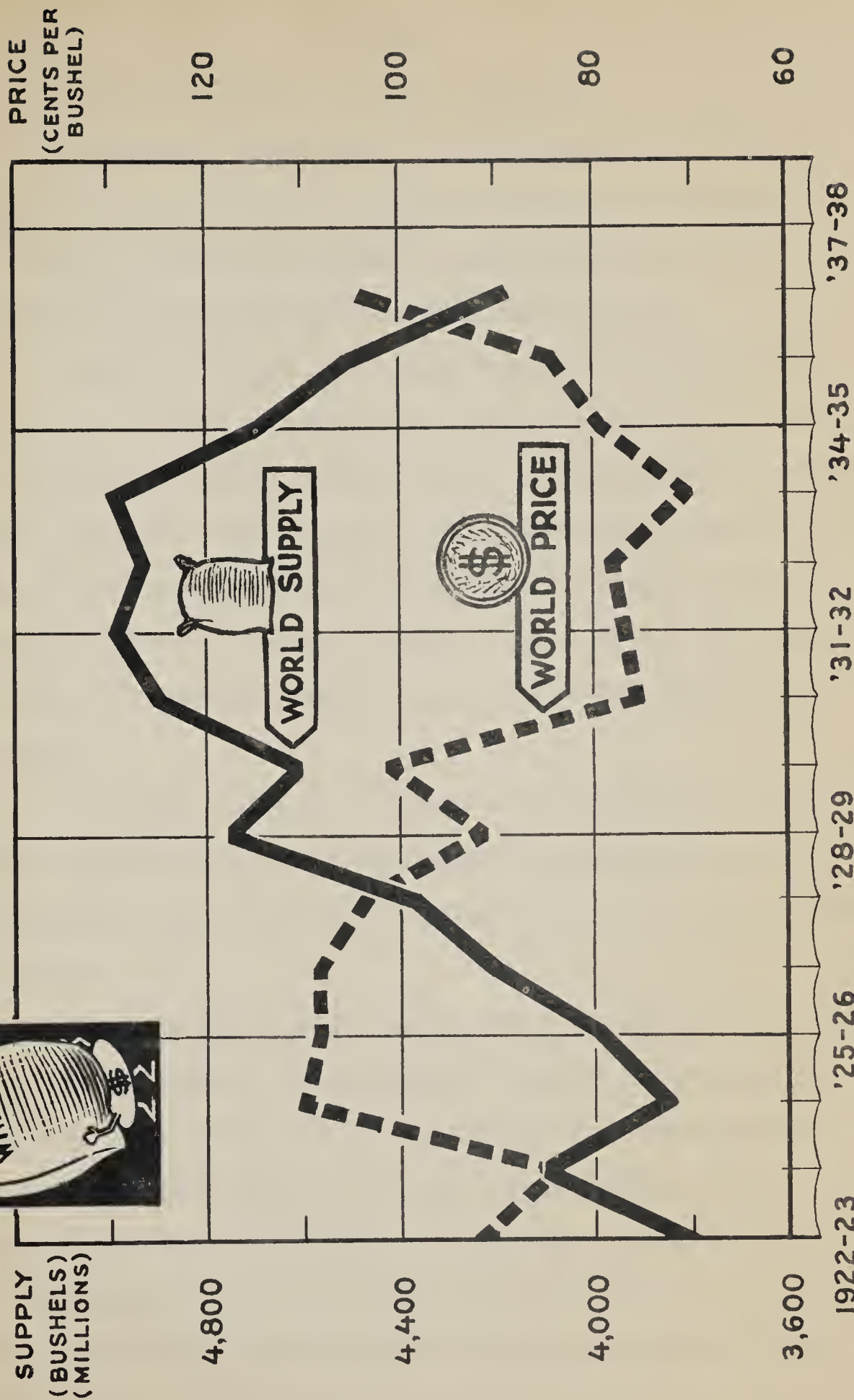
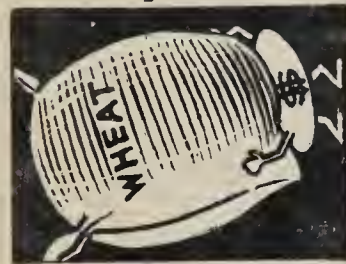
A balance of the incomes of agricultural and non-agricultural workers is essential to the well-being of both groups. Instability of farm income seriously affects the standard of living on the farm. This leads to lowered general business activity and to unemployment in the cities. Unemployment in the cities means lack of buying power for farm products. This in turn has a further adverse effect on farm prices and farmers' income. Thus an undesirable situation occurs when either farm income or non-farm income is out of balance.

The war brought about a sharp increase in demand for farm products which for five years increased farm income a great deal relative to non-farm income. At the close of this boom period, the supplies of farm products, coming from a country geared to the high production needs of the war, caused a serious decline in the income of the farmer. Since 1920, farm income available

per person for living has been low as compared with that of non-farm workers. This disparity was greatest in 1932, when the farm income per person was 42.6 percent of the 1910-14 average, and the non-farm income was 119.8 percent.

While the income of farmers is still below that of non-farmers, the disparity has consistently decreased since 1932, and for the past three years incomes of the two groups have been in better balance than at any time since the war.

WORLD WHEAT PRICES DEPEND ON SUPPLIES



1936-'37 FIGURES PRELIMINARY

CHART V

World Wheat Prices Depend on Supplies

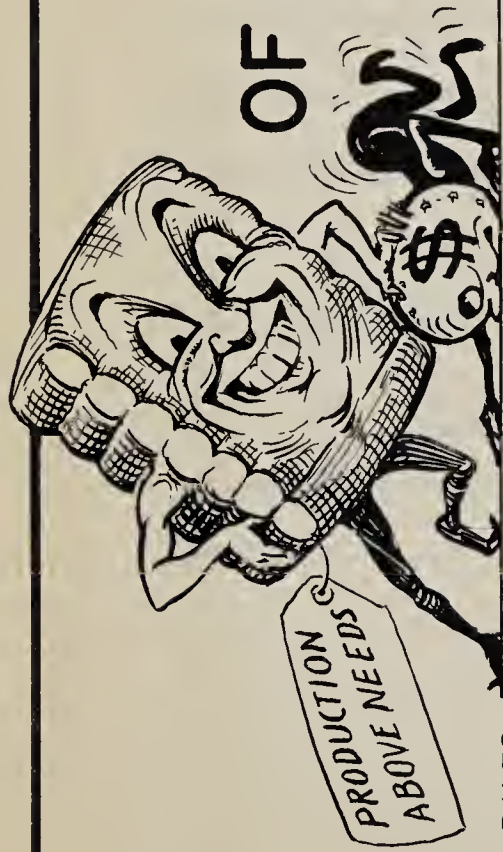
Accompanying chart shows the relationship of the world supply and the world price of wheat during the period 1922-23 to 1936-37. When world supplies of wheat are low, prices are high and when world supplies are high, prices are low.

Acreage and yield are both important in determining the supply. The United States acreage of wheat has increased year by year from 64 million acres in 1934 to a new high of 80 million acres seeded for harvest in 1937. Yields per acre, however, in recent years have been below normal. 80 million acres with a normal yield would result in a crop of about 944 million bushels and about 300 million bushels in excess of normal domestic consumption.

Low world yields in recent years have resulted in small world supplies. The 1937 world supply is low and world prices this year are good. Thus export possibilities for American wheat are good.

When the United States has a supply of wheat in excess of domestic requirements, as is normally the case, domestic prices are lower than world prices by about the cost of transportation.

When world supplies are again normal with large world supplies and low world prices, will the United States be able to export the 300 million bushels of wheat in excess of domestic consumption that would result from normal yields on 80 million acres and what will be the domestic price of wheat?



BIG SUPPLIES OF AMERICAN COTTON DEPRESS PRICE

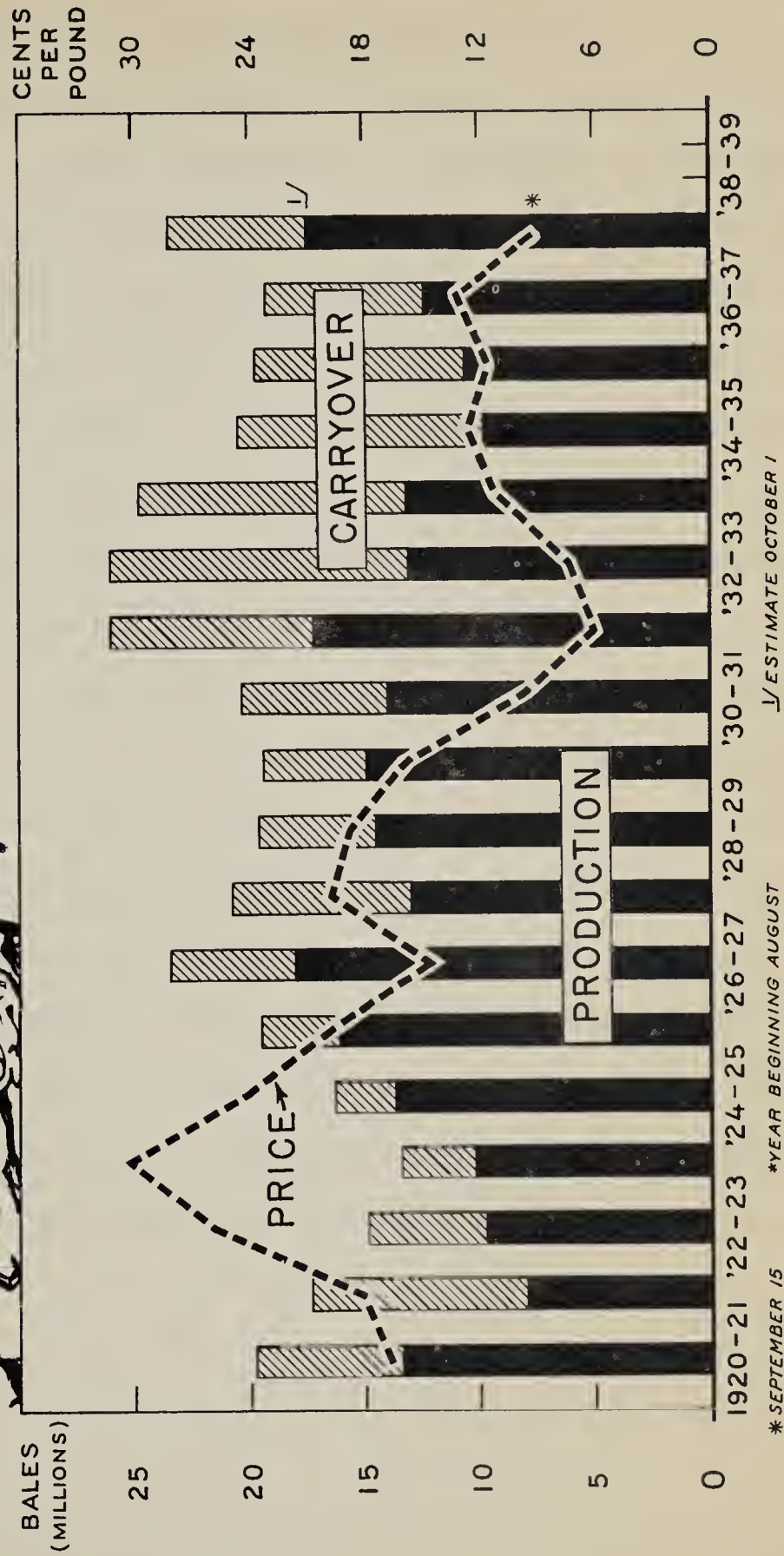


CHART VI

Big Supplies of American Cotton Depress Prices

Farmers sold their cotton at five cents a pound in the 1931-32 season. Cotton supplies (production plus carryover) in that season amounted to 25,963,000 bales, which supply was the largest for any of the 18 seasons shown on this chart. Farmers sold their cotton at 30 cents a pound in the 1923-24 season. Cotton supplies in this season amounted to only 13,444,000 bales, which supply was the smallest for any of the 18 seasons shown on the chart.

These wide fluctuations of price and supply are undesirable both from the standpoint of the producer and consumer.

During the three seasons, 1934-35 to 1936-37, when supplies stood at approximately 20 million bales, the price of cotton stood at approximately 12 cents a pound. For the 1937-38 season, with an estimated supply of almost 24 million bales, the price fell to less than 8 cents a pound by November 1.

The world supply of all cotton for 1937-38 promises to be about 50 million bales, and the world never used in any one year more than 31 million bales. This gives a prospective carryover of 18 to 20 million bales which is not a very favorable outlook for the producer.

